Lidl vs. Aldi: Shelf-Price Showdown

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Since opening in June, Lidl has led much of the industry conversation, with a distinct focus on the nature of its disruptive pricing strategy. In our first pricing analysis, we compared Lidl's pricing against Walmart's across an array of 40 items, both branded and private label. While the price differential for branded items was minimal overall, our analysis revealed a significant price gap between the two retailers on private label items; indeed, Lidl's private label price advantage varied between 2% to a commanding 57%. At least relative to Walmart, it is clear that private label is the new battleground for shoppers' trips and dollars.

In this analysis, we will compare pricing between Lidl and Aldi on 7 branded and 11 private label SKUs across edible, nonedible, and health and beauty categories. All data was collected on June 16, 2017, at Lidl and Aldi locations in Winston-Salem, N.C. The two stores are located less than two miles away from each other.

Comparing the Branded Baskets: Aldi Establishes a Slight Price Advantage

Lidl and Aldi achieved price parity on five of the seven branded SKUs we surveyed *(Figure 1)*. In spite of that, Aldi's overall basket price was lower than Lidl's by $1.69, or 5%.

Figure 1. Branded SKU Pricing: Lidl vs. Aldi

Item	Lidl Price	Aldi Price	Lidl Cheaper/Pricier by:
Honey Nut Cheerios 17 oz	$3.49	$3.49	0%
Old Bay Seasoning 6 oz	$3.69	$3.69	0%
Downy Scent Booster 13.2 oz	$6.95	$6.95	0%
Tide Laundry Detergent 75 oz	$8.97	$8.97	0%
Crest Complete 6.2 oz	$3.42	$3.42	0%
Little Debbie Oatmeal Crème Pies 16 oz	$1.69	$1.39	22%
Diet Coke 12 pk cans	$4.68	$3.29	42%
Branded Basket Total	**$32.89**	**$31.20**	**5%**

Source: Kantar Retail

No items were discounted at either store. Although the basket is small, Aldi has largely made good on its efforts to maintain its price position relative to the competition.

Though Lidl was more expensive on only two items (Diet Coke and Little Debbie Oatmeal Creme Pies), its price disadvantage on those items was substantial *(Figure 2)*.

Figure 2. Pricing Gaps Between Lidl and Aldi Are Few, but Substantial

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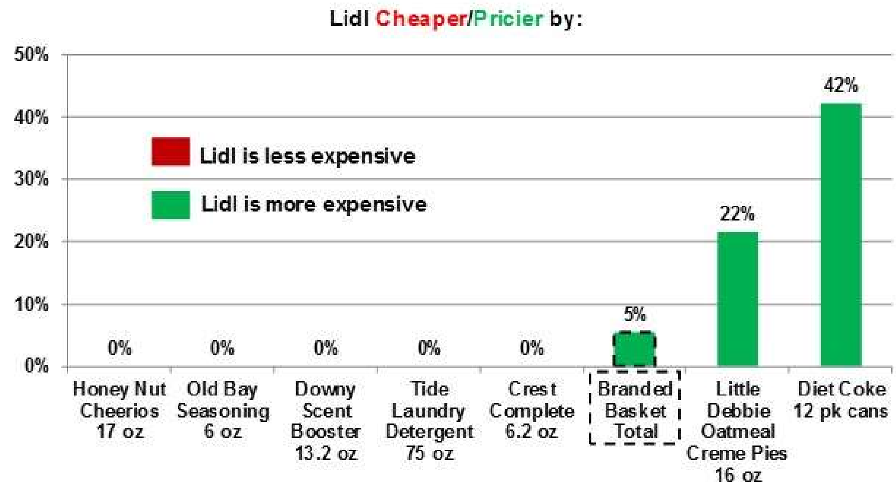

Source: Kantar Retail

In particular, the 42% price disadvantage on Diet Coke stands out given that item's "key value indicator" status with shoppers. More such gaps could undermine not only the perception of Lidl's overall value, but also its vocal claim that it will not be beaten on price. Lidl will have to offset the effect of such large price gaps versus Aldi on its sharp pricing image, even if only on a small number of items, with similar price gaps on other SKUs. Those efforts will need to be storewide in order to be effective in bolstering Lidl's value proposition.

Comparing the Private Label Baskets: Aldi's Advantage Narrows

Aldi's price advantage narrowed from 5% to 2% when we compared 11 private label SKUs *(Figure 3)*.

Figure 3. Private Label SKU Pricing: Lidl vs. Aldi

Item	Lidl Price	Aldi Price	Lidl Cheaper/Pricier by:
Peanut Butter 18 oz	$1.19	$1.39	-14%
Honey Nut Crispy Oats 12.25 oz	$1.29	$1.39	-7%
Mustard 20 oz	$0.59	$0.59	0%
White Bread 20 oz	$0.85	$0.85	0%
Spaghetti 32 oz	$1.45	$1.45	0%
Ibuprofen 100 ct	$1.99	$1.99	0%
Ketchup 24 oz	$0.89	$0.89	0%
Canned Tuna 5 oz	$0.65	$0.65	0%
Whole Milk 1 gal	$2.09	$1.99	5%
Pasta Sauce 24 oz	$1.19	$0.99	20%
Mac & Cheese 7.25 oz	$0.59	$0.33	79%
Private Label Basket Total	**$12.77**	**$12.51**	**2%**

Source: Kantar Retail

Similar to the branded basket, Lidl and Aldi achieved price parity on the majority (6 out of 11 items) of the basket. We recorded only one discount: the peanut butter at Aldi, regularly priced at $1.49, was on sale.

Perhaps the real story lies with the price gaps at the results' poles, since they illustrate the effects of impact pricing *(Figure 4)*. While Aldi again underpriced Lidl by a commanding margin in a couple of instances, Lidl partially offset those results by underpricing Aldi on two items (peanut butter and honey nut crispy oats).

Figure 4. Aldi Maintains Overall Private Label Pricing Advantage

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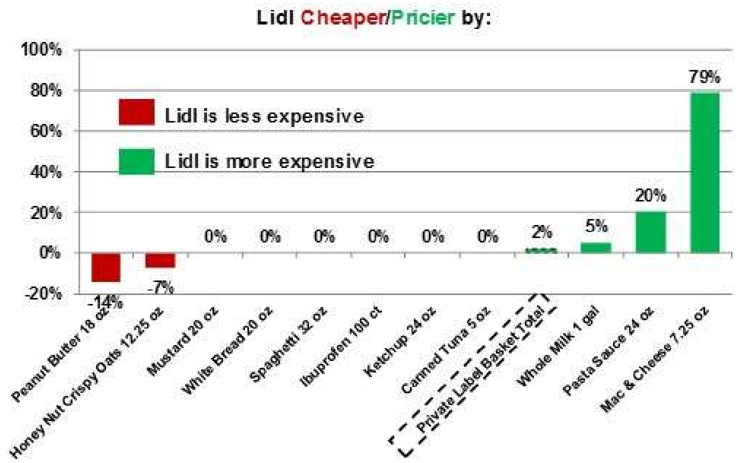

Source: Kantar Retail

In this environment, it seems that Lidl's practice of such "impact pricing" *(Figure 5)* has three roles:

1. Establish the priced-based component of its overall value proposition.
2. Reset price points on core items in shoppers' minds.
3. Mitigate the impact of items where it is at a price disadvantage relative to its competition.

Figure 5. Lidl's "Impact Pricing" in Private Label

Source: Kantar Retail

Lidl's price competitiveness with Aldi adds another element of tension to its positioning against Walmart. While Lidl already has established a commanding price gap against Walmart's private label, our results indicate that Aldi has an even greater price advantage over the Bentonville retailer in both branded and private label, thus setting up a three-way dynamic for price leadership. A price reduction from either Aldi or Lidl will likely elicit a response from the other and also trigger a reduction from Walmart, which could have a further ripple effect across the market. In that way, Walmart could create a multiplier effect for Aldi and Lidl's combined disruptive potential. Similarly, any pricing action from Walmart at a broader level means a price disruption for entire categories and a widening price gap between brands and private label as competitors respond across the spectrum.

Kantar Retail Point of View

With Lidl's U.S. stores now open, the effects of the retailer's pricing strategy become more immediate. Suppliers need to prepare an appropriate strategy now while the extent of Lidl's disruption is relatively limited. With concrete pricing data now available, three strategic implications for suppliers emerge:

1. For suppliers that sell the same branded items at both Lidl and Aldi, assume price parity between retailers, but be prepared for instances where Aldi may seek to underprice Lidl. Rather than get caught in the middle of a pricing tug of war, a more effective (and less tension-filled) approach may be to sell different items at each retailer. The tactic would mitigate potential issues around pricing and comparability and diminish supplier friction with the two retailers. Though such a strategy would not diminish supplier friction with Walmart, it should act as one pillar of a larger "asymmetrical" strategy for working with both retailers, increasing differentiation and minimizing shopper leakage between Lidl and Aldi.
2. The "asymmetrical" approach to pricing applies to suppliers that manufacture private label as well. In this context, suppliers should consider differentiated formulations (or even wholly unique items) for Lidl or Aldi as a way to minimize comparability issues.
3. Monitor the pricing dynamics between Lidl and Aldi closely, even if you do not sell to either retailer. As both retailers open more stores (and as Aldi launches its partnership with Instacart), more shoppers will reset their expectations of value at a given price across retail. Branded suppliers will need to have a valid response to the inevitable question from shoppers: "Why should I pay more for your item?"

This is the second in a series of articles analyzing Lidl's pricing strategy against its U.S. competitors. Stay tuned for Kantar Retail's analysis of pricing between Lidl and Food Lion. These studies are part of Kantar Retail's continuing analysis of Lidl's U.S. entry.

Recommended resources:

- Graphic Insights: Milk, Bread, and Power Tools? Lidl Carries the Staples and the Surprises
- Graphic Insights: There's Nothing Little About Lidl
- A Lidl Tour of Europe and the USA: 30 Lessons From 30 Markets

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- Lidl's U.S. Landing: Five Principles That Will Define the Retailer's Assortment Strategy
- Lidl's U.S. Landing: Quantifying the Retailer's Disruptive Pricing Strategy
- Lidl's Pricing Doesn't Disappoint (Unless You're the Competition)

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